

REPORT PHILIPPINES

AUGUST 1953

Since the banks assumed part of the duties of the defunct Import Control Commission, the issuance of import letters of credit was slowed down considerably due to the extra work involved. In spite of this, we were able to open a sufficient number of letters of credit and along with income from other departments we were able to maintain our profits at a high level.

1952-53 rice harvest tops peak production in pre-war. Harvest yielded bumper crop of 69,253,900 cavans of paddy from 2,400,000 hectares exceeding by several million cavans the pre-war top rice production of 53,696,780 cavans. This was attained according to Francisco D. Marquez, administrative officer of the Department of Agriculture and Natural Resources, during a press interview, despite limited annual appropriations and losses due to typhoons, floods, draughts and damages wrought by plant pests and diseases. He admitted, however, that the USA-PHILCUSA aid helped considerably in making this record possible.

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MONTHLY REPORT * AUGUST, 1953 * BANK OF AMERICA NT & SA * BANGKOK BRANCH
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Results of AUGUST OPERATIONS BETTER THAN GENERAL TREND of business would seem to justify, with DEPOSITS and PROFITS INCREASING. Reasons:

Although acceptance financing of IMPORTS was AT LOWEST POINT since January 1952, OVERHEADS were at an ALL TIME HIGH since establishment of the branch.

FOREIGN EXCHANGE TRADING VERY SATISFACTORY, both volume and profit. Just received deposits Baht 7,500,000 from FGA, promised additional Baht 7,500,000 in few weeks.

HIGH INVENTORIES and SLOW MOVING STOCKS KEPT MONEY TIGHT during August. Foreign banks and larger commercial firms like East Asiatic selling spot dollars and sterling against forward purchase contracts carrying premium of roughly 1/4% per month. However DIFFICULT FOR FORWARD SELLERS regardless of premium offered.

Dollars and pounds closed steady at 18/17 $\frac{1}{2}$ and 49.60 equal to a cross rate of 272-7/8 which corresponded roughly to price of sterling in New York.

Bank of Thailand has used following means to MAINTAIN VALUE OF BAHT vis a vis foreign currencies:

- 1) Placed increasing number of IMPORT on RESTRICTED list requiring cover to be purchased on open market instead of from Bank of Thailand at cover rates of 16.75 and 15
- 2) SOLD substantial amounts of FOREIGN EXCHANGE
- 3) It is rumored that CONSIDERATION has been given to RAISING the sterling COVER RATE to 51 to 1.

Bank of Thailand has tried to ease the tight money market by making dollars and pounds available to importers on a deferred payment basis, similar to forward contracts, maximum six months to pay, interest 3% p.a.

BUSINESS IS SLOWER THAN SEASONALLY SLOW. Singapore has further restricted trade with Thailand and now requires letters of credit for all exports to Thailand, unless D/P bills are specially approved. No E/A bills.

Opinions differ regarding BUSINESS OUTLOOK for last quarter and beyond. Some feel rice business, representing Thailand's economic backbone, has definitely passed its prime. Although admitting this point I personally feel BUSINESS SHOULD RECOVER NORMALLY in the Fall, given reasonable political and military stability.

Word spread quietly few weeks ago COUP D'ETAT would take place Saturday August 21. Instead Luang Buri (Deputy Commander in Chief of the Army) and henchmen were arrested and jailed. Seems to me that group in power has SITUATION WELL IN HAND, as far as coups are concerned. Recent arrival of Maj. Gen. Donovan as Ambassador and Maj. Gen. Gillmore as Chief of MAC seems to indicate determination on our part to stop aggression before it starts.

Called on AMBASSADOR DONOVAN September 3. He described his role as one of trying to find lowest common denominator amongst people of Thailand and adjacent countries, then providing that broad group with moral and material backing sufficient make them willing and able resist Communism. He said comments about our branch were very gratifying.

I PREDICT very SATISFACTORY ECONOMIC FUTURE for this country under right conditions. 2 big "IF"s are:

- 1) Really LARGE SCALE CORRUPTION, not just petty larceny, and
- 2) SINO-SOVIET INTERFERENCE in Thailand affairs.

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